
HELIX NETWORK OF EDUCATIONAL CHOICE
D/B/A MENTORSHIP ACADEMY
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2013



Postlethwaite
& Netterville

A Professional Accounting Corporation

www.pncpa.com

HELIX NETWORK OF EDUCATIONAL CHOICE
D/B/A MENTORSHIP ACADEMY
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 - 2
<u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11
<u>SUPPLEMENTAL INFORMATION</u>	
Schedule of Functional Expenses	12
Combining Schedule of Financial Position	13
Combining Schedule of Activities and Changes in Net Assets	14
<u>OTHER REPORTS REQUIRED BY GOVERNMENT AUDITING STANDARDS AND BY THE U.S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133</u>	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And On Other Matters Based On An Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	15 - 16
Independent Auditors' Report On Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	17 - 18
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Summary Schedule of Prior Audit Findings	22 - 23

INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
Helix Network of Educational Choices D/B/A Mentorship Academy
Baton Rouge, Louisiana:

Report on the Financial Statements

We have audited the accompanying financial statements of Helix Network of Educational Choices D/B/A Mentorship Academy (Mentorship Academy or the Academy) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mentorship Academy as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the schedule of functional expenses, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The combining schedules of financial position and activities presented on pages 13 through 15 are also presented for purposes of additional analysis and are not a required part of the basic financial statements. That information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, on our consideration of Mentorship Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mentorship Academy's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 29, 2013

HELIX NETWORK OF EDUCATIONAL CHOICES
d/b/a MENTORSHIP ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS:

Cash	\$ 196,955
Accounts Receivable:	
Federal Programs	130,259
State Programs	302,636
Other	17,687
Prepaid Expenses and other	21,961
Total current assets	<u>669,498</u>

PROPERTY AND EQUIPMENT (NET):

392,302

Total assets

\$ 1,061,800

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 413,917
Line of credit	-
Notes payable - short term portion	30,806
Total current liabilities	<u>444,723</u>

LONG TERM LIABILITIES:

Notes payable	53,442
Total long-term liabilities	<u>53,442</u>

NET ASSETS:

Unrestricted	563,635
Total net assets	<u>563,635</u>

Total liabilities and net assets

\$ 1,061,800

The accompanying notes are an integral part of these financial statements.

HELIX NETWORK OF EDUCATIONAL CHOICES
d/b/a MENTORSHIP ACADEMY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

Unrestricted revenues and support:

Minimum Foundation Program and local taxes	\$ 4,640,523
Federal grants	883,839
Private grants and donations	4,644
Other revenue	<u>61,666</u>
Total unrestricted revenues and support	<u>5,590,672</u>

Expenses:

Program services:	
Instructional and supporting programs	4,596,330
Management and general	<u>567,629</u>
Total expenses	<u>5,163,959</u>

Change in net assets	426,713
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<u>NET ASSETS AT BEGINNING OF THE YEAR</u>	<u>136,922</u>
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<u>NET ASSETS AT END OF THE YEAR</u>	<u><u>\$ 563,635</u></u>
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The accompanying notes are an integral part of these financial statements.

HELIX NETWORK OF EDUCATIONAL CHOICES
d/b/a MENTORSHIP ACADEMY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 426,713
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	175,288
Decrease (increase) in:	
Federal program receivables	49,889
State program receivables	(175,304)
Other receivables	25,879
Prepaid expenses and other	50,563
Increase (decrease) in:	
Accounts payable and accrued expenses	(73,818)
Net cash provided by operating activities	<u>479,210</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	<u>(130,664)</u>
Net cash used in investing activities	<u>(130,664)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Payments on notes payable	(233,267)
Line of credit (net)	<u>(242,739)</u>
Net cash used in financing activities	<u>(476,006)</u>

Net decrease in cash	(127,460)
Beginning cash balance	<u>324,415</u>
Ending cash balance	<u><u>\$ 196,955</u></u>

Supplemental disclosure of cash flow information

Interest paid	<u><u>\$ 4,268</u></u>
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The accompanying notes are an integral part of these financial statements.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Mentorship Academy (the Academy) operates two independent secondary schools under two charters in East Baton Rouge Parish that currently expire on June 30, 2015. The high schools had combined enrollment of approximately 440 students for the 2012-2013 school year. Upon expiration, the charter will be renewed for successive periods of ten years, subject to the review by the East Baton Rouge Parish School System of the Academy's operations and compliance with requirements set forth in the charter agreement. The Academy is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Support

The Academy receives grants from the private and public sectors. The public sector grants are for specific purposes and are passed through the Louisiana Department of Education. Additionally, the Academy receives Minimum Foundation Program (MFP) funding from East Baton Rouge Parish School System according to the per student funding formula set forth by the Department of Education and an apportionment of local taxes. Substantially all state grants and support are unrestricted as to use. A substantial portion of federal grants are expenditure driven and as such is classified as unrestricted in the Statement of Activities and Changes in Net Assets. The Academy also receives federal support for food service that is based on the number of meals served to students. As such, revenue is recognized as meals are served.

Contributions

The Academy accounts for contributions in accordance with the standards of the Financial Accounting Standards Board. In accordance with these standards, contributions received are recorded as increasing unrestricted, temporarily, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions whose restrictions are met in the same reporting period are reported as unrestricted support. The Academy had no permanently or temporarily restricted net assets at June 30, 2013.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes all cash accounts held at financial institutions and cash on hand. At certain times throughout the year, the balances in the cash accounts may have exceeded the amount insured by the Federal Deposit Insurance Corporation. Management, however, believes the credit risk associated with these deposits is minimal.

Accounts Receivable

No amounts for allowance for uncollectable accounts have been established as the Academy expects to collect the balances in full.

Functional Expenses

The costs of providing various program and administrative services have been reported on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the various program and administrative services based on estimates made by management.

Use of Estimates

Management used estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Advertising

The Academy expenses advertising costs as they are incurred.

Property and Equipment

The Academy has adopted the practice of capitalizing all expenditures for depreciable assets where the unit costs exceed \$500. Property and equipment is recorded at cost or at fair value for donated assets. Depreciation of these assets is provided on the straight-line basis over their estimated useful lives ranging from 3 to 30 years. Maintenance and repairs are charged to expense when incurred. Leasehold improvements are amortized over 5 to 30 years.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Exempt Status

The Academy is a nonprofit organization exempt from the income taxes and no provision has been made for federal and state income taxes.

If the Academy would engage in activities unrelated to the purpose for which it was created, taxable income could result. The Academy had no material unrelated business income for the fiscal years ended June 30, 2013.

In Management's judgment, the Academy does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of the Academy's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessment are the years ending on or after June 30, 2010.

2. ACCOUNTS RECEIVABLE

Accounts receivable due from federal programs at June 30, 2013 represent amounts due from the Louisiana Department of Education for federal pass through grants under the National School Lunch Program and amounts due from the East Baton Rouge Parish School System for federal pass through grants under Title I Programs. Accounts receivable due from state programs at June 30, 2013 represents amounts due from the East Baton Rouge Parish School System for the Minimum Foundation Program and local tax apportionment.

3. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at June 30, 2013:

Buildings and Leasehold Improvements	\$ 46,054
Furniture & Fixtures	354,452
Equipment and software	<u>399,006</u>
Total Cost	\$ 799,512
Less: Accumulated Depreciation	<u>(407,210)</u>
Total Property and Equipment	<u>\$ 392,302</u>

Depreciation expense for the year ending June 30, 2013 was \$175,288.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

4. CONCENTRATION OF SUPPORT

The Academy received approximately 83% of its support from the MFP and local taxes, 16% of its support from federal grants passed through the Louisiana Department of Education, and approximately 1% of its support from the private sector.

5. OPERATING LEASE

The Academy leases its facilities from a private entity under a sub-lease agreement dated February 2011. The lease has a term of 20 years and requires a monthly payment of approximately \$58,000 adjusted annually based on the consumer price index. The lease expense for the year ending June 30, 2013 is \$683,224.

The future minimum lease payments, which include the re-determined rent payments as a result of construction costs are as follows.

June 30, 2014	\$ 712,734
2015	726,988
2016	741,528
2017	756,359
2018	771,486
Thereafter	<u>11,552,183</u>
	<u>\$ 15,261,278</u>

6. FEDERAL GRANTS

Federal assistance received from the U.S. Department of Agriculture passed through the Louisiana Department of Education totaled \$745,798. Federal assistance received from the U.S. Department of Education for the Title I program passed through the East Baton Rouge Parish School System totaled \$115,765. Federal assistance received from the U.S. Department of Agriculture passed through the Louisiana Department of Agriculture and Forestry totaled \$22,276. This federal assistance is provided through grant agreements which are subject to audits to be conducted in accordance with OMB Circular A-133 and to examinations conducted by inspectors general of each respective federal agency. The Academy could be required to return amounts received under these grant agreements as a result of these audits.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

7. NOTES PAYABLE

On June 29, 2012, the Academy entered into a vehicle loan agreement with a financial institution. The loan amount was \$28,000 with an interest rate of 5.0% and is collateralized by the vehicle purchased. Payments of \$840 are due each month maturing on July 1, 2015. The outstanding balance of this loan at June 30, 2013 was \$19,980.

On August 1, 2011, the Academy entered into a loan agreement with a creditor for the purpose of funding improvements to the kitchen. The loan amount was \$96,400 with an annual interest rate of 0% and is uncollateralized. Ten monthly payments of \$2,142 are due each year maturing June 30, 2016. The outstanding balance of this loan at June 30, 2013 was \$64,267.

The notes payable are scheduled to mature as follows:

<u>Years Ending</u> <u>June 30th</u>	
2014	\$ 30,723
2015	32,036
2016	<u>21,422</u>
	<u>\$ 84,248</u>

8. RETIREMENT PLAN

The Academy sponsors an Internal Revenue Code Section 403(b) Plan which covers substantially all employees of the Academy immediately upon employment. Employees may contribute up to the lesser of \$17,000 or 100% of includable compensation. The Academy contributes up to 3% of each participant's compensation. Total employer contributions to the plan were approximately \$3,806 for the year ended June 30, 2013.

9. CONTINGENT LIABILITIES

The Academy may from time-to-time be subject to claims and liabilities in the normal course of business. A general liability policy has been purchased to cover the costs of such claims. No such claims are outstanding as of June 30, 2013.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO FINANCIAL STATEMENTS

10. SUBSEQUENT EVENTS

The Academy entered into a line of credit on July 12, 2013 with a financial institution. The agreement allows for an available line to \$350,000 with interest variable with the lender's prime rate plus 2.7 percentage points. Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 29, 2013, and determined that no other events would require disclosure. No other subsequent events occurring after October 29, 2013 have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL INFORMATION

HELIX NETWORK OF EDUCATIONAL CHOICES
d/b/a MENTORSHIP ACADEMY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Management and General	Program Services	Total
EXPENSES:			
Advertising and Promotional	\$ 7,139	\$ 69,792	\$ 76,931
Depreciation	-	175,288	175,288
Employee Benefits	11,908	116,457	128,365
Food Service	-	761,972	761,972
Insurance	6,432	62,898	69,330
Interest Expense	395	3,873	4,268
Legal fees	34,644	-	34,644
Materials, Supplies, Books & Periodicals	6,746	129,392	136,138
Payroll Taxes	10,952	107,083	118,035
Postage and Telephone	1,295	12,662	13,957
Rent	72,619	710,073	782,692
Repairs and Maintenance	8,651	84,594	93,245
Salaries	141,307	1,381,710	1,523,017
Technical and Professional Services	254,315	462,950	717,265
Transportation	-	410,574	410,574
Travel	1,189	8,874	10,063
Utilities	10,037	98,138	108,175
	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 567,629</u>	<u>\$ 4,596,330</u>	<u>\$ 5,163,959</u>

See independent auditors' report

HELIX NETWORK OF EDUCATIONAL CHOICES
d/b/a MENTORSHIP ACADEMY
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2013
(UNAUDITED)

ASSETS

	Academy of Digital Arts	Academy of Math and Science	Helix Food Service	Combined
<u>CURRENT ASSETS:</u>				
Cash	\$ 16,019	\$ 103,719	\$ 77,217	\$ 196,955
Accounts Receivable:				
Federal Programs	68,545	49,098	12,616	130,259
State Programs	235,050	67,586	-	302,636
Other	10,104	7,583	-	17,687
Prepaid Expenses	12,229	9,732	-	21,961
	<u>341,947</u>	<u>237,718</u>	<u>89,833</u>	<u>669,498</u>
Total current assets				
	<u>341,947</u>	<u>237,718</u>	<u>89,833</u>	<u>669,498</u>
<u>PROPERTY AND EQUIPMENT:</u>				
Buildings and Leasehold Improvements	23,027	23,027	-	46,054
Furniture and Fixtures	177,226	177,226	-	354,452
Equipment and software	199,503	199,503	-	399,006
	<u>399,756</u>	<u>399,756</u>	<u>-</u>	<u>799,512</u>
Total Property and Equipment				
Less Accumulated Depreciation	<u>(203,605)</u>	<u>(203,605)</u>	<u>-</u>	<u>(407,210)</u>
	<u>196,151</u>	<u>196,151</u>	<u>-</u>	<u>392,302</u>
Net Property and Equipment				
	<u>196,151</u>	<u>196,151</u>	<u>-</u>	<u>392,302</u>
Total assets	<u>\$ 538,098</u>	<u>\$ 433,869</u>	<u>\$ 89,833</u>	<u>\$ 1,061,800</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>				
Accounts payable and accrued expenses	\$ 186,048	\$ 138,036	\$ 89,833	\$ 413,917
Line of credit	-	-	-	-
Short-term portion of loan	15,403	15,403	-	30,806
	<u>201,451</u>	<u>153,439</u>	<u>89,833</u>	<u>444,723</u>
Total current liabilities				
	<u>201,451</u>	<u>153,439</u>	<u>89,833</u>	<u>444,723</u>
<u>LONG TERM LIABILITIES:</u>				
Notes payable	26,721	26,721	-	53,442
	<u>26,721</u>	<u>26,721</u>	<u>-</u>	<u>53,442</u>
<u>NET ASSETS:</u>				
Unrestricted	309,926	253,709	-	563,635
	<u>309,926</u>	<u>253,709</u>	<u>-</u>	<u>563,635</u>
Total net assets				
	<u>309,926</u>	<u>253,709</u>	<u>-</u>	<u>563,635</u>
Total liabilities and net assets	<u>\$ 538,098</u>	<u>\$ 433,869</u>	<u>\$ 89,833</u>	<u>\$ 1,061,800</u>

HELIX NETWORK OF EDUCATIONAL CHOICES
d/b/a MENTORSHIP ACADEMY
COMBINING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013
(UNAUDITED)

	Unrestricted			
	Academy of Digital Arts	Academy of Math and Science	Helix Food Service	Combined
Revenues and support:				
Minimum Foundation Program and local taxes	\$ 2,651,100	\$ 1,989,423	\$ -	\$ 4,640,523
Federal	169,684	122,757	591,398	883,839
Private grants and donations	2,322	2,322	-	4,644
Other revenue	33,418	28,248	-	61,666
Total unrestricted revenues and other support	2,856,524	2,142,750	591,398	5,590,672
Expenses:				
Program services:				
Instructional and support programs	2,273,749	1,731,183	591,398	4,596,330
Management and general	324,239	243,390	-	567,629
Total expenses	2,597,988	1,974,573	591,398	5,163,959
Change in net assets	258,536	168,177	-	426,713
NET ASSETS AT BEGINNING OF THE YEAR	51,390	85,532	-	136,922
NET ASSETS AT END OF THE YEAR	\$ 309,926	\$ 253,709	\$ -	\$ 563,635

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors for
Helix Network of Educational Choices D/B/A Mentorship Academy
Baton Rouge, Louisiana:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Helix Network of Educational Choices D/B/A Mentorship Academy's (Mentorship Academy's or the Academy's) (a nonprofit organization), which are comprised of the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Postlethwaite & Nettawille

Baton Rouge, Louisiana
October 29, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors for
Helix Network of Educational Choices D/B/A Mentorship Academy
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Helix Network of Educational Choices D/B/A Mentorship Academy's (Mentorship Academy's or the Academy's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2013. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Postlethwaite + Netterville

Baton Rouge, Louisiana

October 29, 2013

Helix Network of Educational Choice d/b/a Mentorship Academy
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Amount Expended
United States Department of Agriculture		
<i>Passed through the Louisiana Department of Education</i>		
National School Lunch Program	10.555	\$ 745,798
<i>Passed through the Louisiana Department of Agriculture And Forestry</i>		
Food Distribution	10.555	<u>22,276</u>
Total United States Department of Agriculture		<u>768,074</u>
United States Department of Education		
<i>Passed through the East Baton Rouge Parish School Board</i>		
Title I Grants to Local Educational Agencies	84.010	<u>115,765</u>
Total United States Department of Education		<u>115,765</u>
Total Expenditures of Federal Awards		<u>\$ 883,839</u>

See accompanying notes to this schedule.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mentorship Academy and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The value of commodities received and used during the period ended June 30, 2013 totaled \$22,276.

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal Control over Financial Reporting:

- Material weakness (es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes x no

Identification of major programs:

CFDA Numbers
10.555

Name of Federal Program or Cluster
National School Lunch Program

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

The Mentorship Academy was not determined to be a low-risk auditee.

B. Findings – Financial Statement Audit

None

C. Findings and Questioned Costs – Major Federal Award Programs

None

HELIX NETWORK OF EDUCATIONAL CHOICES
D/B/A MENTORSHIP ACADEMY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Findings – Financial Statement Audit

None

Findings and Questioned Costs – Major Federal Award Programs

2012-1 Procurement Suspension and Debarment

Department of Education

84.282 Charter Schools

Criteria: With respect to federal grant programs, non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Non-federal entities are responsible for verifying that awards to contractors and sub-recipients have not been disbarred from receiving such contracts and grants and for requiring that the contractor or sub-recipient to certify as to no suspension or debarment.

Condition: There was no documentation supporting that Mentorship verified that the contractor, and principals of the contractor, procured to provide administrative and accounting services, has not been suspended or disbarred from receiving such contracts. Also, the required certification that the contractor was not suspended or debarred was not included in the contract.

Cause: The contract was executed prior to the grant approval.

Effect: Proper suspension and debarment procedures are not being followed in accordance with requirements set by the program.

Questioned Costs: \$0

Recommendation: Mentorship should develop supervisory procedures to ensure that all required suspension and debarment procedures are being followed for contracts whose costs are charged to federal grants.

*View of Responsible
Official and Planned
Corrective Action:* Proper procurement procedures will be followed with respect to costs associated with federal grants.

Current Status: Corrected

2012-2 Procurement Suspension and Debarment

Department of Education

84.282 Charter Schools

<i>Criteria:</i>	Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable federal law and regulations and standards identified in OMB Circular A-110 (A-110). All non-federal entities should follow federal laws and implementing regulations applicable to procurement as noted in federal agency implementation of A-110.
<i>Condition:</i>	There was no documentation supporting that Mentorship's procurement of administrative and accounting services were conducted in a manner to provide, to the maximum extent practical, open and free competition, or its consideration of any organizational conflicts of interest.
<i>Cause:</i>	The contract was executed prior to the grant approval.
<i>Effect:</i>	Costs were charged to a federal grant that may have been higher than necessary had the services been procured according to A-110.
<i>Questioned Costs:</i>	<i>Unknown</i>
<i>Recommendation:</i>	Mentorship should develop supervisory procedures to ensure that all required procurement procedures have been followed when contract costs are charged to federal programs.
<i>View of Responsible Official and Planned Corrective Action:</i>	Proper procurement procedures will be followed with respect to costs associated with federal grants.
<i>Current Status:</i>	Corrected.